

CITY AUDITOR'S OFFICE



AUDIT OF CASH HANDLING CONTROLS AT CHUCK MINKER SPORTS COMPLEX

Report No. CAO 2200-0405-01

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**AUDIT OF
CASH HANDLING CONTROLS
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BACKGROUND

The City Auditor's Office performs on-going unannounced cash counts and reviews of cash handling controls at city facilities. On July 30, 2004, Chuck Minker Sports Complex (Chuck Minker/the Center) was audited in conjunction with this program.

The Chuck Minker Sports Complex located at 275 N. Mojave Road is a recreational facility that includes a gymnasium, racquetball courts, a weight room, and an aerobics room. The facility has five full-time staff and eleven hourly employees. Most of the hourly employees perform cashier functions.

The Center operates one register at the front counter. Transactions run at the register are recorded into a system known as CLASS. Payments received by the Center include membership fees and daily use fees. In fiscal year 2004, the Center had over \$141,000 in revenues including approximately \$95,000 in cash transactions.

Cash handling activities at the Center are subject to both city and departmental cash handling policies and procedures. The city's cash handling policies and procedures include the *Cash Handling Policy* and the *Cash Handling Procedure*. The Department of Leisure Services has cash handling policies and procedures including *CLASS Cash Drawer Procedures* and *Staff Refund Policy and Procedure*. The cash controls of the Center were evaluated against these policies and procedures.

OBJECTIVES

Our objectives in completing the audit of cash handling controls and procedures at the Chuck Minker Sports Complex were to:

- Review compliance with city and departmental cash handling policies and procedures.
- Observe general security of funds.

SCOPE AND METHODOLOGY

Our fieldwork was performed in accordance with generally accepted governmental auditing standards. Procedures included:

- Observing operations.
- Interviewing personnel.

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- Reviewing records, reports, and other applicable documentation.

Our review of deposit documentation was limited to the month of July 2004.

FINDINGS AND RECOMMENDATIONS

We completed unannounced counts of funds at the Center. We identified a minor overage in our count of the front register drawer. This transaction was subsequently recorded into the CLASS System. No other differences were noted.

Our audit identified issues management should address to improve the cash handling controls at the Center. These issues are summarized in the following sections. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

1. CASHIER OPERATIONS

Criteria:

- City and departmental cash handling policies and procedures should be followed to ensure proper controls over funds and accountability for transactions.

Condition:

Customer Receipts

- The Center does not have a sign displayed giving customers notice of their right to a receipt as required by city policy.
- While customer receipts are printed and distributed for account transactions (i.e., membership and registration payments), customer receipts are not printed and distributed at the Center for point-of-sale transactions. The function allowing the printing of point-of-sale transaction receipts was disabled on the CLASS System.
- The departmental cash handling policy does not address the distribution of customer receipts.

Payment Cancellations

- Cashiers periodically make payment cancellations on the CLASS System to correct input entry errors on the register or to make same-day cash refunds. These cancellations can be made on the day of the original transaction without supervisory review and approval.
- The departmental policies and procedures do not address the processing of same-day transaction cancellations.

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System Downtime Procedures

- The CLASS System or city network periodically goes down due to technical problems or routine maintenance. Departmental policy states that if the CLASS System goes down a manual system of cash receipting must be followed. The manual procedures are outlined in the departmental policy.
- The Center staff do not use a manual cash receipting system during system downtimes. During these times, customers are allowed to use the facility free of charge. Customers are encouraged to come back at a later time if they want to pay for a membership or class registration.

Cash Drawer Procedures

- The departmental cash handling procedures only address a cashier function that uses multiple cash drawers. The Center is currently operating with only one cash register, one cash drawer, and one change fund. The use of only one cash drawer and register has some inherent control challenges that should be addressed in the departmental procedures. For example, if a cashier must temporarily leave his post, it is often impractical to count and reconcile the cash drawer before the replacement cashier logs on.

Surveillance Cameras

- The video from the front counter surveillance camera feeds to a monitor positioned at the front counter allowing cashiers to know what activity is being recorded.

Cause:

- All aspects of cash handling procedures were not considered in creating policies.
- Staff may not be aware of certain policies and procedures.
- Certain system parameters not properly established.

Effect:

- Weaknesses in cash controls.
- Opportunities for theft of funds.

Recommendations:

Customer Receipts

1. The Center Coordinator should create and display a sign near the front desk giving customers notice of their right to a receipt.
2. Leisure Services Management should create policies and procedures on customer receipts for inclusion within the departmental cash handling policies and procedures.

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3. Leisure Services Management should make necessary system adjustments to have customer receipts generated for all transactions.

Payment Cancellations

4. Leisure Services Management should require supervisory review and approval of all payment cancellations through system or manual controls. In addition, the reasons for payment cancellations should be identified.
5. Leisure Services Management should address the processing of same-day payment cancellations within its cash handling policies and procedures.

System Downtime Procedures

6. The Center should follow a manual system of cash receipting when the CLASS System is down.

Cash Drawer Procedures

7. Leisure Services Management should address procedures for locations with only one cash drawer within its cash handling policies and procedures.

Surveillance Camera

8. Leisure Services Management should re-direct the video feed from the front desk camera to a monitor in a location away from the front counter where it can be observed by supervisors.

2. DEPOSIT PREPARATION

Criteria:

- Daily deposits should be prepared in accordance with city and departmental policies and procedures.

Condition:

- Cashiers at the Center prepare the cash deposit at the front desk, an area visible and accessible by customers. According to city policy, cash handling areas should have restricted access.
- We reviewed the deposit documentation (including the Daily Cash Balance Reports (DCBR) and deposit slip copies) of the Center for the month of July 2004. Few DCBRs were dated with the day the deposit was taken to the bank as required by department policy.
- Staff are regularly printing the incorrect DCBR Summary report that is missing the section requiring staff to fill in the date of the deposit.
- The Center recently began using a deposit log that requires staff to record the date a deposit is removed from the safe. While this would be an adequate compensating control

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for the lack of the deposit date on the DCBRs, the deposit log was inconsistently being used and incomplete on certain days during the month of July 2004.

- Departmental procedures do not require the person taking the deposit to initial the DCBR Summary.

Cause:

- Staff may not be aware of certain deposit preparation policies and procedures.

Effect:

- Potential for theft of funds by public.
- Lack of documentation to ensure accountability for deposits.

Recommendations:

1. The Center Coordinator should instruct cashiers to prepare deposits and complete their end-of-shift reconciliation in a secure area out of the view of customers.
2. Leisure Services Management should specify in the departmental cash handling policies and procedures that deposits should be prepared in an area not visible or accessible by customers.
3. The Center Coordinator should instruct staff to print the correct DCBR Summary.
4. Leisure Services Management should adjust its policies to require the staff taking a deposit to the bank to both date and initial the corresponding DCBR Summary reports.

3. FOOD CONCESSION SALES

Criteria:

- City and departmental cash handling policies and procedures should be followed to ensure proper controls over funds and accountability for transactions.

Condition:

- No departmental policies and procedures exist for food concession sales.
- During our unannounced cash count, we identified funds in a drawer at the front desk from food concession sales. During the period from July 22nd through August 1st, staff at Chuck Minker sold food concessions as a service to attendees of a basketball tournament and due to malfunctions of the vending machines. Concession sales were not individually tracked. Total sales from the food concessions during this period were \$438.
- The food concession funds were not recorded into the CLASS System daily but rather accumulated and recorded as one lump sum on August 5th. The funds were deposited at the bank on August 6th. The handling of these funds by the Center violated city and

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departmental policies that require all revenue collections to be deposited intact within 24 hours and prohibit combining money from day to day or from cashier to cashier.

Cause:

- No departmental policies on food concession sales have been developed.
- Staff uncertain on how to record food concession sales into CLASS.

Effect:

- Opportunity for theft of food concession inventory and funds.
- Delayed recording and depositing of food concession revenue.
- Non-compliance with city cash handling policy.

Recommendations:

1. Leisure Services in consultation with Finance should create policies and procedures specifically addressing food concession sales at Leisure Services facilities. These policies and procedures should address inventory and cash controls that should be followed.
2. The Center Coordinator should ensure city and departmental cash handling policies are followed with food concession sales.

4. SUPERVISORY REVIEW OF OPERATIONS

Criteria:

- City cash handling policy requires that each department Director, or their designee (other than a cashier), be required to perform and document unannounced inspections of the department's cash handling activities.

Condition:

- While the CLASS System Administrator visits Leisure Services sites to respond to various cash handling and system issues, the department has not implemented a formal program for performing and documenting unannounced inspections of the department's cash handling activities as required in the city's cash handling policy.

Cause:

- Lack of establishment of formal inspection program by department.

Effect:

- Non-compliance with city cash handling policy.

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Recommendation:

1. The Director of Leisure Services, or a designee, should begin performing and documenting unannounced inspections of the department's cash handling activities as required by the city's cash handling procedures.

**MANAGEMENT RESPONSES
TO
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1. CASHIER OPERATIONS

Recommendation 1

The Center Coordinator should create and display a sign near the front desk giving customers notice of their right to a receipt.

Management Plan of Action:

Center Coordinator will create and post a sign at the front desk advising that City of Las Vegas customers have a right to receive a receipt.

Timetable:

November 1, 2004

Recommendation 2

Leisure Services Management should create policies and procedures on customer receipts for inclusion within the departmental cash handling policies and procedures.

Management Plan of Action:

Leisure Services CLASS Administrator will develop procedures for customer receipts and include in the cash handling policies and procedures.

Timetable:

January 3, 2005

Recommendation 3

Leisure Services Management should make necessary system adjustments to have customer receipts generated for all transactions.

Management Plan of Action:

Leisure Services CLASS System Administrator will make the necessary system adjustments to have customer receipts generated for all transactions.

Timetable:

January 3, 2005

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Recommendation 4

Leisure Services Management should require supervisory review and approval of all payment cancellations through system or manual controls. In addition, the reasons for payment cancellations should be identified.

Management Plan of Action:

Leisure Services CLASS System Administrator will set controls in CLASS to allow payment cancellations to only be done by designated personnel.

Timetable:

December 3, 2004

Recommendation 5

Leisure Services Management should address the processing of same-day payment cancellations within its cash handling policies and procedures.

Management Plan of Action:

Leisure Services CLASS Administrator will develop a same-day payment cancellation procedure and place in the cash handling policies and procedures.

Timetable:

January 3, 2005

Recommendation 6

The Center should follow a manual system of cash receipting when the CLASS System is down.

Management Plan of Action:

Leisure Services Center Coordinator will direct staff to follow the manual cash receipt system when the CLASS system is down.

Timetable:

January 3, 2005

Recommendation 7

Leisure Services Management should address procedures for locations with only one cash drawer within its cash handling policies and procedures.

Management Plan of Action:

Leisure Services CLASS Administrator will develop procedures for locations with only one cash drawer and place in the department's cash handling policy and procedures.

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Timetable:

January 3, 2005

Recommendation 8

Leisure Services Management should re-direct the video feed from the front desk camera to a monitor in a location away from the front counter where it can be observed by supervisors.

Management Plan of Action:

Leisure Services Center Coordinator will make request to Building Services to change video feed to the coordinator's office.

Timetable:

Request to change the video feed was made the week of October 10, 2004. Building Services staff plans to re-wire and run conduit to support the change in video location.

2. DEPOSIT PREPARATION

Recommendation 1

The Center Coordinator should instruct cashiers to prepare deposits and complete their end-of-shift reconciliation in a secure area out of the view of customers.

Management Plan of Action:

The Center Coordinator has instructed all staff to prepare deposits and complete their end of shift reconciliation in a secure area, out of the view of customers.

Timetable:

Completed

Recommendation 2

Leisure Services Management should specify in the departmental cash handling policies and procedures that deposits should be prepared in an area not visible or accessible by customers.

Management Plan of Action:

Leisure Services CLASS Administrator will develop a policy requiring that all deposits be prepared in an area not visible or accessible by the customers.

Timetable:

January 3, 2005

Recommendation 3

The Center Coordinator should instruct staff to print the correct DCBR Summary.

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Management Plan of Action:

The Center Coordinator will direct staff to print the correct DCBR Summary.

Timetable:

Completed

Recommendation 4

Leisure Services Management should adjust its policies to require the staff taking a deposit to the bank to both date and initial the corresponding DCBR Summary reports.

Management Plan of Action:

Leisure Services Management will enforce this existing policy.

Timetable:

Completed

3. FOOD CONCESSION SALES

Recommendation 1

Leisure Services in consultation with Finance should create policies and procedures specifically addressing food concession sales at Leisure Services facilities. These policies and procedures should address inventory and cash controls that should be followed.

Management Plan of Action:

Leisure Services CLASS Administrator will coordinate with Finance to create a policy specifically addressing inventory cash controls for food concession sales at Leisure Services facilities.

Timetable:

April 1, 2005

Recommendation 2

The Center Coordinator should ensure city and departmental cash handling policies are followed with food concession sales.

Management Plan of Action:

Employees will be directed and trained to follow the department's cash handling policies and procedures when conducting food concession sales.

Timetable:

Pilot program will start December 30, 2004

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4. SUPERVISORY REVIEW OF OPERATIONS

Recommendation 1

The Director of Leisure Services, or a designee, should begin performing and documenting unannounced inspections of the department's cash handling activities as required by the city's cash handling procedures.

Management Plan of Action:

The Director of Leisure Services will designate individuals to begin performing and documenting unannounced inspections of the department's cash handling activities at all locations collecting revenue.

Timetable:

December 3, 2004